AN INVESTIGATION OF THE FACTORS AFFECTING THE GROWTH OF IOWA SAVINGS AND LOAN ASSOCIATIONS, 1945-1965

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CHAPTER I

INTRODUCTION

This study was an attempt to determine the reasons for the tremendous growth in the assets of Iowa savings and loan associations from 1945 through 1965. In an effort to show that such a tremendous growth did occur after World War II, the assets of the associations were analyzed in conjunction with reasons affecting any such increases in assets. Three major reasons to be examined were the operational procedures of the savings and loan associations, the policies of the government regulatory agencies, and the behavior of the Iowa economy since 1945. In addition to these major reasons, other areas to be examined were those included in that portion of the questionnaire labeled "other" reasons. In this area the officers of the Iowa savings and loan associations were asked to indicate any reasons not covered on the questionnaire which they felt was instrumental in either promoting or hindering the growth of their association.

After World War II the entire United States experienced a gigantic construction boom. In 1945 there were 326,000 private and public non-farm housing starts and in 1946 that figure more than tripled with starts of

1,023,200.[1] The business of savings and loan associations is primarily that of making mortgage loans and paying a portion of the interest collected in the form of dividends to the saving customers. This increase in housing starts has provided an increasing demand for funds made available through these associations which specialize in home financing. This demand for mortage loans only represents one-side of the reasons for growth; the other side is the increase in the supply of funds deposited with the savings and loan associations. The depositors of funds are savers who have shown a strong preference for the fixed-value asset of the savings account. On the national level in 1945 the amount of savings in savings and loan associations was $7.4 billion. By 1965 this amount had increased more than ten times to a total of $110.3 billion.[2] This study will attempt to determine if the position of Iowa savings and loan associations has followed this national pattern, and if the reasons for growth on the national level were also corresponding reasons on the state level thus determining if Iowa is a truly representative example.

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[1] United States Savings and Loan League, _Savings and Loan Fact Book_ (Chicago: United States Savings and Loan League, 1965), p. 19.

[2] _Ibid._, p. 12.

I. ORIGINS OF SAVINGS AND LOAN ASSOCIATIONS

Savings and loan associations represent one of the best methods of meeting two basic needs in our society: thrift and home ownership. The prosperity of the country is fostered when these two basic needs are met. Throughout all stages of civilization advancement has occurred partly as a result of persons saving a part of their income to create better tools with which to increase their productive powers. For the individuals in our society thrift is necessary in order to enable them to meet the contigencies and un-certainties of their lives. Savings are necessary to provide for the unproductive years.

The eventual purpose of production is consumption. Consumption wants are based on a system of higher and lower levels. Among the highest of consumption wants is home ownership. This idea of home ownership is important in our culture. The virtues of home ownership have been expounded upon by virtually every line of social and economic reasoning. The sentiments surrounding home ownership go far beyond the actual ownership of the physical property of real estate. The home is the center for the family and the family is the basic organization from which everything in our culture and society evolves and centers. The home then is the place where the hopes, ambitions, and achievements of all its occupants are fostered.

However not all persons in our society have adequate incomes to immediately achieve their goals of home ownership, It has been found that by working together with other members of society more can be accomplished than by individual effort. In recognition of this truism, more than a century ago public spirited citizens devised plans to help wage earners and the other member of the middle-class save a part of their earnings and become home owners.

II. HISTORICAL BACKGROUND

Savings and loan associations in the United States are co-operative savings institutions originally established to make loans to members for the purchase of homes. The associations in the United States are essentially the same as their counter-parts in England, the building societies. In fact the origins of the associations in the United States stem from their British forerunners. The building societies of England were originally founded to build homes. This function has been abandoned since about the middle of the 19th Century. Consequently, the name building society implies a misnomer yet their services and functions are the same as their off-spring in the United States.

In the early days the associations in the United States were informal organizations of men who pooled their savings to buy homes. The associations operated on a small and very local basis, and this feature is still very important in present operating policies. The members were committed to make regular payments to the fund and could borrow from the fund with the fund share and the home as collateral. This arrangement made it possible for each member in turn to own his home. These associations were temporary and when the original purpose of home ownership was satisfied for all the members the association was ended. By the end of the 19th Century these institutions were replaced by permanent institutions which had borrowers who were not saving members and saving members who were not borrowers. The latter type of organization has evolved into the present savings and loan association.

III. THE STRUCTURE AND ORGANIZATION OF THE SAVINGS AND LOAN INDUSTRY

Association ownership. Associations can be either mutually owned or have a form of stock ownership. The type of charter determines to a great extent the type of ownership. Associations may be further classified as insured or uninsured, and as federally or state chartered. In obtaining a federal charter, an institution must have mutual ownership. Of the federally chartered institutions in the United States, slightly more than one-half were originally chartered as such; the remainder having been converted from state charters.[1]

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[1] *Ibid*., p. 61.

The dual system of chartering and ownership is reflected on the national level by the relative proportion of assets held by the particular types of associations. In 1965 the mutuals held assets amounting to approximately $102.1 billion or 79.9 per cent of the total; the stock institutions held about $27.3 billion or 21.1 per cent of the assets of all the savings and loan associations.[1] The stock ownership associations operate in twenty-nine states and by their nature are state chartered. They account for 38.2 per cent of the number and 70.0 per cent of the assets of the state chartered associations in the states which they operate. Nationwide the stock companies hold approximately 21 per cent of the total assets and represent 12.6 per cent of the entire number of associations.[2]

Government supervision. The regulatory powers of government affect the operations of all associations. The organizational structure of the charter will determine if it comes under federal or state supervision and controls. The governments regulate these associations in such a manner that they are operating to serve the best interests of the public. Each state determines its own authority and regulatory powers over the state chartered associations operating in the state.

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[1] *Ibid.*

[2] *Ibid.*

This would seem to imply a wide difference in controls and supervision, but conferences and mutual exchanges of information have created a cohesiveness, resulting in structural unity among the states.

Federally chartered and supervised associations can be located anywhere in the United States and its possessions. The act of Congress which enabled the federal chartering of savings and loan associations had as its prime purpose considerations of the best possible methods of local thrift and home financing.

The rules and regulations concerning chartering are fixed and must be adhered to in detail to retain the charter. Besides having charter regulations the associations are further regulated by federal government agencies. The two agencies of the government which regulate the associations are the Federal Home Loan Bank and the Federal Savings and Loan Deposit Insurance Corporation, both being agencies in the executive branch of the government. The legislation enacting the Federal Home Loan Bank System was passed in the midst of the Great Depression of the early 1930's. The illiquidity of financial institutions and the entire economy was further magnified in the mortgage lending field by the fact that the mortgage lending institutions were small, isolated, local units each standing alone to meet the needs and demands of its savers and borrowers.

Federally chartered associations must be members of the Home Loan Bank System and state chartered associations who qualify may become members on a voluntary basis. Also membership is open to mutual savings banks and life insurance companies. At present on the national level there are forty-six mutual savings banks holding membership but there have been no life insurance companies in the Home Loan Bank System since 1959.[1]

The Home Loan Bank System has 4,985 members representing 79.8 per cent of the total of 6,248 associations at the end of 1965. The System serves and regulates its members' operations by providing a central credit facility with a flexible policy similar in structure to the Federal Reserve System which regulates commercial banking. Also the Federal Home Loan Bank System controls the Federal Savings and Loan Insurance Corporation. The FSLIC is similar to its counterpart in commercial banking, the Federal Deposit Insurance Corporation. The policies of the two government insuring agencies concerning the payout provisions were somewhat different until 1950. In 1950 legislation was passed bringing the provisions of the FSLIC in line with those of the FDIC. Under this act the FSLIC must pay off an insured account in cash or make available a savings account of the same amount in another insured institution.[2]

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[1] Ibid., p. 126.

[2] Ibid.

Operating policies. The operating policies of savings and loan associations are primarily constructed to serve the needs of the middle classes. Most persons do not possess adequate knowledge of the alternative forms of investments so they place their funds where they have the assurances of competent management, as stipulated in the charters of the associations, and the government supervision and insurance.

Savings and loan associations are not demand deposit institutions thus cannot and are not required to pay on demand all requests for withdrawal of funds. The reason for this is that the greater portion of these funds deposited are loaned to home owners with long-term mortgages as security. The repayments of these loans are in small monthly payments. However, most persons save for a specific purpose and when enough funds are accumulated to satisfy this purpose a withdrawal is requested. Most savings and loan associations have found it advantageous to keep a good public image by always meeting these demands when requested. The other type of savers at the savings and loan associations are investors. Their funds will remain on deposit to earn the relatively high interest and these funds will not be withdrawn unless higher interest is available elsewhere, and as a general rule are not sporadic in their movements.

Borrowers from associations are also predominately lower income, middle class persons who desire to purchase a medium or lower priced home.[1] However associations do make loans on higher priced homes and also for commercial mortgage purposes. The composition of the assets of all savings and loan associations in 1965 showed that 76.2 per cent were in conventional mortgages.[2] Conventional mortgages have higher interest rates than Federal Housing Administration or Veterans Administration guaranteed loans and this higher rate induces the associations to concentrate the greater part of their assets in these higher paying mortgages.

Other investments of associations are greatly regulated in accordance with the type of charter and operating policies. Most other investments are government securities. The purchase of government securities enables the associations to satisfy two objectives. First, it provides an outlet for excess funds when mortgage lending is not desirable. Second, it provides relatively high yielding investments for a part of the funds needed for liquidity purposes.

IV. ORGANIZATION OF THE THESIS

Chapter II presents an examination of the developments within the industry so as to give a comprehensive account of

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[1]National Savings and Loan League, Savings and Loan Associations (Washington: National Savings and Loan League, 1952), p. 6.

[2]United States Savings and Loan League, op. cit., p. 92.

the policies and operating procedures followed by the Iowa savings and loan associations from 1945 through 1965. Internal problems, restrictions, and limitations will also be presented so as to examine both the positive and negative aspects of growth.

In Chapter III were presented the effects that legal developments of the regulatory agencies have had on the growth of the savings and loan associations in Iowa. A presentation of the chronological developments of the regulatory agencies will be analyzed with respect to their impact on the Iowa Savings and Loan associations.

Chapter IV deals with the Iowa economic conditions during the years 1945 through 1965. In this chapter emphasis will be given to the savings business and the mortgage loan business. Here the effects of competition will be examined. The alternative sources of investment will be examined to compare the position of Iowa savings and loan associations with that of other Iowa financial intermediaries.

Chapter V contains a restatement of the problem, the procedures used in the study, and a summary of the major findings and conclusions. Also in the final chapter is presented recommendations for further study.

V. LIMITATIONS

Most of the research material used for this study was taken from the reports of government agencies and the United

States Savings and Loan League. Due to the dual system of chartering, information sources contained specific data for one particular type of chartered association but were not all-inclusive in their reporting procedures. There exists only one fact book containing information pertinent to the operations of all savings and loan associations. This book is currently being published on an annual basis, but publishing was not started until 1953. Further limitations arise from the lack of a single reference source containing comprehensive data for all savings and loan associations in Iowa. However there is information available concerning either the state chartered associations or the federally chartered associations and those associations having membership in the Federal Home Loan Bank of Des Moines. Those associations having membership in the Federal Home Loan Bank of Des Moines hold 99.6 per cent of all the assets of Iowa savings and loan associations.[1] On the basis of this percentage figure the findings of this report are concerned with those associations holding the 99.6 per cent of all assets.

Also in this study a questionnaire was used. A sample of the questionnaire is to be found in the Appendix. This questionnaire was sent to the chief officer of all Iowa savings and loan associations having membership in the

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[1]Lorne R. Worthington, Auditor of State, Report of the Condition of Savings and Loan Associations (Des Moines: State of Iowa, 1965), p. 52.

Federal Home Loan Bank of Des Moines. Of the eighty-four members, sixty-one returned the questionnaire. The purpose of the questionnaire was to examine the opinions of the officers of these associations in regard to the reasons promoting and the reasons hindering growth. One question in the questionnaire was entitled "other" reasons. In this question the officers were asked to indicate any other reasons not included in the regular format of the questionnaire. In answering the questionnaire they were to indicate in order of importance the reasons promoting and the reasons hindering.

The results of the questionnaire are drawn into the main body of the thesis in the particular areas where the results are closely aligned to the particular area being investigated. Any information derived from the questionnaire and not included in the main body of the thesis is presented in Chapter V.

V. ACKNOWLEDGMENTS

The president and staff of the Federal Home Loan Bank of Des Moines were very helpful in providing information not available elsewhere. Also the officers of Des Moines savings and loan associations were helpful in explaining the development of the Iowa savings and loan industry in Iowa since 1945. The Drake University Library, the Iowa State University Library and the Des Moines Public Library were also sources of reference information.

CHAPTER II

SAVINGS AND LOAN OPERATIONS

I. BRANCH OPERATIONS

In recent years a significant development in savings and loan associations operations has been the establishing of branch offices. In forty-five states savings and loan associations operate branch offices. California has the most branches with Ohio second.[1] These two states and the top eight other states account for 62.2 per cent of all the associations having branch offices. The numerous branch office operations in these states can be most easily explained by the fact that these ten states are also the ten most populous states in the United States.[2]

Iowa associations currently operate only nine branch offices. Three branches are operated by one association. Five of the nine are operated within the greater Des Moines area, with Sioux City having two and Bettendorf and Atlantic one each.[3] This evidence would indicate that branch office

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[1]United States Savings and Loan League, *op. cit.*, p. 62.

[2]*Ibid.*

[3]Federal Home Loan Bank of Des Moines, *Statistical Annual Report of Members* (Des Moines: Federal Home Loan Bank of Des Moines, 1965), pp. 8-26.

operations are not yet a major part of the operational structure in Iowa. With most of the offices concentrated around the metropolitan area of Des Moines, the relatively small population in the remainder of the state does not seem to make feasible the operation of branch offices.

II. CHARTERING

In 1945 there were fifty-seven state chartered associations in Iowa and thirty-two federal.[1] All federally chartered associations must be members of the Federal Home Loan Bank. Qualified state chartered associations may join on a voluntary basis. In Iowa all but seven state chartered associations are members of the Federal Home Loan Bank. Forty state chartered and fourty-four federally chartered associations comprised the Bank's 1965 membership. The state chartered associations have decreased in number at an even rate of about one every two years until reaching their 1965 membership of forty-seven in 1965. Conversely the federals have experienced a relatively even rate of increase of about one every two years until reaching the total of forty-four in 1965.[2]

The majority of new federal charters were conversions from state charters. Offsetting the decline in state

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[1] Worthington, *op. cit.*, pp. 55-57.

[2] *Ibid.*

chartered associations were several associations newly formed on a state charter basis. However, these new associations were not as numerous as the newly chartered federal associations.

The dual system of chartering does have definite advantages from the viewpoint of fostering growth. However, the dual nature at times seems to have the two regulatory agencies competing with each other. Also the individual associations have the ability to play off one agency against the other and benefit from innovations in their operations which would not have been available under a single charter system. Nationally the federally chartered associations have registered the greatest gains in assets since 1945. Table I shows that the assets of the federal associations in Iowa also increased in a greater amount than the state chartered. This is not to say however that the state associations did not also experience a tremendous growth.

The importance of being federally or state chartered was of significant value in effecting the growth of the Iowa savings and loan associations. Of more importance in relation to growth was membership in the Federal Home Loan Bank System. The associations in Iowa having membership in the Home Loan Bank numbered seventy-one in 1945.[1] In 1950 there were seventy-two and in 1955 seventy-six. By 1960 the total

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[1] Federal Home Loan Bank of Des Moines, _op_. _cit_., p.4.

TABLE I

ASSETS OF IOWA SAVINGS AND LOAN ASSOCIATIONS[1]
ACCORDING TO CHARTER, 1945-1965

	State Chartered	Federally Chartered	
1945	$ 51,822,836	$ 44,070,724	1945
1946	60,643,541	56,240,889	1946
1947	68,826,325	63,423,501	1947
1948	76,364,878	67,939,050	1948
1949	86,007,490	78,601,003	1949
1950	100,664,904	94,785,745	1950
1951	115,917,437	108,980,196	1951
1952	133,519,345	134,025,529	1952
1953	149,867,942	165,612,412	1953
1954	168,333,140	204,071,476	1954
1955	177,791,032	256,667,449	1955
1956	196,870,196	286,549,970	1956
1957	211,277,813	317,514,643	1957
1958	239,987,483	336,346,230	1958
1959	266,115,455	421,448,337	1959
1960	309,366,221	475,452,594	1960
1961	347,746,084	556,548,119	1961
1962	394,352,506	635,355,016	1962
1963	440,836,739	716,117,748	1963
1964	491,900,801	829,037,522	1964
1965	535,041,907	874,698,998	1965

had increased to eighty, yet the beggest increase came during the years 1960-1965 with an increase of eleven members bringing the total to eighty-four in 1965.[2]

Iowa associations that have membership in the Federal Home Loan Bank System appear to have had the greatest growth.

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[1]Iowa associations which have membership in the Federal Home Loan Bank of Des Moines. Source: _Statistical Annual Report_ of Members of the Des Moines Federal Home Loan Bank and the Auditor of State's _Report of the Condition of Iowa Savings and Loan Associations_, 1945-1965.

[2]Federal Home Loan Bank of Des Moines, _loc. cit._

The associations having membership in the System have access to a central credit facility as a supplement to their own resources. When heavy or seasonal demands are placed upon the associations they are able to turn to the Home Loan Bank and obtain funds to smooth out the contraseasonal flow of savings and lending activities.

Another function of the Home Loan Bank System is the use of it by the members as a link to the money market. This link to the money market is the most important function of the Federal Home Loan Bank System.[1] A small savings and loan association in Iowa would find it very difficult to obtain funds from the large investors and financial institutions of the money market. The prime reason is their credit standing and financial resources. However by virtue of their membership in the Home Loan Bank System these Iowa associations can obtain funds in the form of advances from the Bank which in they can sell consolidated obligations in the money market.

III. CHARTERING AND THE DISTRIBUTION OF ASSETS

In 1965 the distribution of assets between federal and state associations on the national level was rather evenly balanced with the federal having 51.5 per cent of all assets and the state associations having 48.5 per cent. Iowa does not follow this national pattern as indicated by Table I.

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[1]United States Savings and Loan League, op. cit., p. 111.

In 1965 the state associations held 38 per cent of the assets while the federal held 63 per cent. This substantial difference in asset distribution cannot be traced to the numbers of each association, since the total number of each type of association has remained rather constant since 1945.[1] In 1945 there were fifty-seven state and thirty-two federal associations. In 1950 there were fifty-six and thirty-two federal, and 1955 there were fifty-five state and thirty-seven federal. The biggest change occurred from 1955 to 1965. However, during this ten year period the federal did not greatly exceed the state but merely brought their numbers up to and slightly more than the state associations. In 1965 there were forty-one state and forty-four federal, yet the federal held $300 million more in assets than the state associations.

Most state associations are now members of the Federal Home Loan Bank of Des Moines. However, prior to this membership in the Federal Home Loan Bank System the federally chartered associations did enjoy a more favorable position as was previously explained by the functions of the Federal Home Loan Bank System and was evidenced by the differences in the assets of the two types as shown by Table I.

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[1]Worthington, cit., pp. 55-57.

IV. ADVERTISING

The most significant decisions management made to foster growth since 1945 had to do with advertising and promotions.[1] On the national level twice as much was spent on advertising in 1948 as in 1945. And by 1952 this 1948 figure had again doubled and in 1957 the total expenditures for advertising were twice that spent in 1952.[2] The quality of the advertising was also improved during this period. More emphasis was placed on enhancing the prestige and reputation of the savings and loan associations. Iowa savings and loan associations also used advertising to gain recognition that they were permanent, respectable financial institutions. All Iowa associations experienced the difficulty of working with small advertising budgets. Moreoever in the several years following World War II the assets of the associations were also small and they actually could not afford large advertising expenditures.[3]

The prime media used by the associations from 1945 through 1950 was newspaper advertising.[4] Another important

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[1] Josephine Hedges Ewalt, A Business Reborn (Chicago: American Savings and Loan Institute Press, 1962), p. 278.

[2] Ibid.

[3] Opinion expressed by Mr. Don Aldt, Vice-President, Home Federal Savings and Loan Association of Des Moines, personal interview, April, 1965.

[4] Ibid.

form of advertising during this period was the return mail circular. These circulars were sent to customers and potential customers with the view to obtaining new or additional savings deposits. During the period 1945 through 1965 the amount of advertising done in the newspapers has increased in proportion to the increases in assets.

The themes of safety, higher earnings, and convenience were used extensively in the newspaper advertising. Also the protection offered by the Federal Savings and Loan Insurance Corporation was widely publicized in the newspaper advertisements. During the period 1945 to 1965 the central purpose of newspaper advertising and other forms of advertising was to attract savings accounts. Only in 1958 did this purpose change. As a result of the economic conditions in 1958, the entire United States experienced an economic recession. Iowa savings and loan associations found themselves with funds available to lend but did not have the demand for mortgage loans. Thus the format of advertising changed temporarily in an attempt to attract more mortgage loans.[1]

In 1959 two-color newspaper advertising was used by the savings and loan associations in Iowa, representing the first time a two-color newspaper ad was used by an financial institution in Iowa. This new type of advertising was very successful in attracting the attention of potential customers

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[1] Ibid.

and more attractively acquainted the general public in Iowa with the advantages of saving at a savings and loan association.[1]

As a part of this report questionnaires were sent to all Iowa Associations having membership in the Federal Home Loan Bank of Des Moines.[2] The questionnaire was designed to allow the chief officer of each association to number in order of importance six reasons promoting growth and six reasons hindering growth. One of the reasons included in the section pertaining to the causes of growth was the effect of advertising and promotions.[3]

V. RESULTS OF THE QUESTIONNAIRE

The results of the questionnaire were organized according to index number and order of importance. An index number was computed for each of the questions in the questionnaire. The method of devising the index number was determined in the following manner. If a question was ranked first in order of importance it was given a value of one. If a question was ranked second it was given a value of two, and so on for the six questions. Thus an index number with the smallest number would be the most important.

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[1] *Ibid.*

[2] Appendix.

[3] *Ibid.*

Advertising was the third question on the questionnaire and Table II shows question three having an index number of 24.8 and an importance of fourth. However, question number six is not included in the analysis here due to the lack of consistency in the answers of the "other"

TABLE II

RESULTS OF THE QUESTIONNAIRE RANKED ACCORDING TO INDEX NUMBER AND ORDER OF IMPORTANCE

Reasons Promoting			Reasons Hindering		
Question Number	Index Number	Order of Importance	Question Number	Index Number	Order of Importance
1	33.6	6th	1	27.6	5th
2	31.8	5th	2	27.7	6th
3	24.8	4th	3	26.0	3rd
4	24.1	3rd	4	25.6	2nd
5	22.5	2nd	5	26.2	4th
6	14.8	1st	6	9.0	1st

NOTE: (a) Question six was "other" reasons. In the main body of the report it will not be compared to the other five due to lack of consistency in the answers.

reasons. Advertising was given some order of importance fifty-nine times in respect to promoting growth as indicated by Table III. In Table III the total number of times indicated in any order of importance is given. Although advertising was not first or second among the regular items it was second in number of times indicated. This evidence

TABLE III

RESULTS OF THE QUESTIONNAIRE RANKED IN ORDER OF IMPORTANCE AND NUMBER OF TIMES INDICATED IN RANK

Question Number	Reasons Promoting						Reasons Hindering					
	1st	2nd	3rd	4th	5th	6th	1st	2nd	3rd	4th	5th	6th
1	1	1	7	4	28	7	18	7	3	12	7	7
2	5	5	12	20	6	5	10	8	5	12	13	2
3	13	18	14	13	0	1	6	15	10	15	6	0
4	11	16	14	7	4	2	5	16	16	3	9	2
5	23	14	7	5	5	3	6	2	13	7	11	4
6	10	4	5	3	4	4	6	3	0	2	2	4

NOTE: The table is to be read as follows: question number one of the reasons promoting was ranked first once, second once, third seven times, and so on.

would indicate that advertising was regarded as being important by a majority of the savings and loan associations returning the questionnaires. The total of first, second and third rankings of advertising was forty-five. This total is greater than the first three rankings of any other question in the questionnaire. The payment of higher interest rates than the competition was next in order of importance as a reason promoting, with forty-four rankings.

The larger associations most frequently ranked advertising as the prime reason for promoting their growth. In this study a large association is classed as one having assets of over $20 million. Of the thirteen larger associations returning the questionnaire advertising was ranked first six times, second three times and third five times. Three associations with assets of $15 to $20 million returned the questionnaire and ranked advertising first two times and second once. The third group in order of asset size were those associations having assets of $10 to 15 million. These associations ranked advertising first on five of twelve questionnaires returned, second on four and third on three.

The results of the questionnaire show advertising to be one of the most important reasons for growth in the larger associations. However, the smaller associations, those with assets of $10 million or less, ranked advertising first only once and second eight times in their twenty-seven questionnaires returned. Here advertising was most frequently ranked fourth or fifth. Evidence would indicate that the smaller associations were aware that advertising was of some importance in fostering their growth. But possibly due to their smaller advertising expenditures they did not derive such benefits as were indicated by the larger associations.

VI. BALANCE SHEET ITEMS

Assets. The largest asset of any savings and loan association is conventional mortgages loans. The associations concentrate in loans of this type due to the relatively higher rate of returns as opposed to the FHA or VA loans.

Table IV shows the results of the concentration in this type of asset during the period 1945 through 1965. The percentage distribution has remained rather stable during this period with at least eighty per cent of the assets being in conventional loans. In keeping with the purpose of their

TABLE IV

PRINCIPAL ASSET DISTRIBUTION (a) OF IOWA (b) SAVINGS AND LOAN ASSOCIATIONS, 1945-1965

	Conventional Mortgages	Government Securities	Cash	Total Assets in Millions
1945	54.59%	18.23%	4.39%	$ 108.8
1946	74.35	14.98	6.98	108.8
1947	77.48	11.50	7.09	122.6
1948	80.97	9.97	5.21	134.0
1949	80.78	9.12	6.08	154.6
1950	82.57	7.72	5.54	187.7
1951	82.17	7.42	5.80	215.5
1952	81.74	6.47	7.17	256.4
1953	81.04	6.75	7.31	304.9
1954	92.99	4.71	7.28	360.5
1955	83.75	5.48	5.69	421.1
1956	82.54	5.63	5.86	475.5
1957	80.71	6.65	4.94	527.4
1958	80.65	7.48	5.19	601.1
1959	81.70	7.93	3.69	681.5
1960	81.91	8.89	5.16	777.8
1961	81.40	7.20	4.99	906.5
1962	81.42	6.24	6.26	1,023.8
1963	82.08	7.38	4.77	1,150.7
1964	82.72	7.64 (c)	3.76	1,279.0
1965	83.10	7.16	3.70	1,408.8

(a) Not included are: Real Estate owned and in judgement, Federal Home Loan Bank stock, Furniture, Office, Deferred charges and Other assets.

(b) Iowa members of the Federal Home Loan Bank.

(c) Approximate.

Source: Unpublished balance sheets of Iowa savings and loan associations furnished by the Federal Home Loan Bank of Des Moines, 1945 through 1965.

founding, the management of Iowa associations has endeavored to promote home ownership by accepting conventional loans for the purchase of homes. Also the management of Iowa associations has promoted growth by concentrating in the mortgages giving the highest returns. Besides the higher earnings factor the associations have maintained a relatively high portion of their assets in conventional and other types of mortgage loans due to three important reasons. First, the increased demand for housing in the state, second, the more liberal use of the credit facility of the Federal Home Loan Bank, and third the more skillful use of cash deposits resulting in the release of more resources for mortgage lending.[1]

The second largest classification of assets is government securities. Iowa associations have not shown a pattern of investing more in government securities when the interest rate, on this type of security is relatively high. Figure 1 shows that since 1945 the amount of securities held has varied indirectly with the rate on government securities. As the assets have grown the managers of the Iowa associations have utilized the government securities as investments and thus have satisfied the problem of gaining a maximum, safe return on assets while still satisfying their liquidity requirements.

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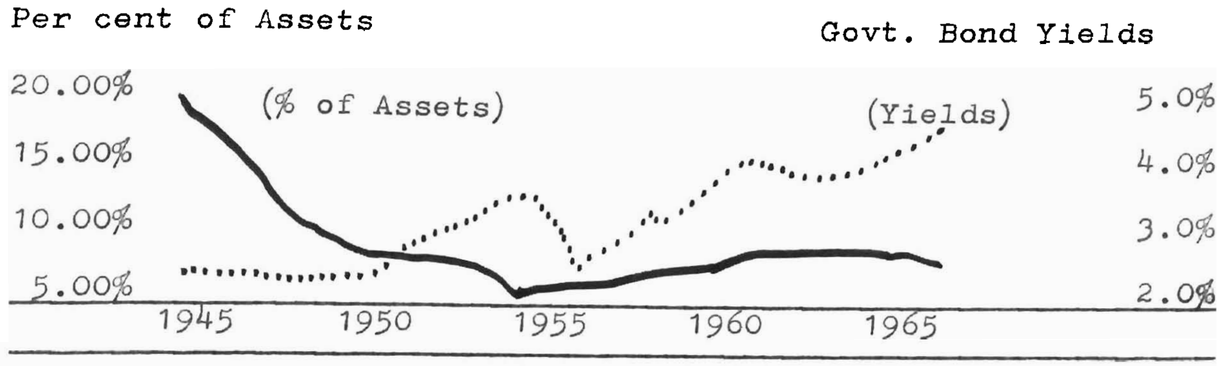
[1]United States Savings and Loan League, op. cit., p. 99.

However as a percentage of assets the conventional mortgages have comprised the largest portion of assets due to their higher rate of return.



Source: Unpublished balance sheets of Iowa savings and loan associations furnished by the Federal Home Loan Bank of Des Moines, 1945-1965, and the Savings and Loan Fact Book published by the United States Savings and Loan League, 1965.

Figure 1. Government Securities as a Percentage of Assets Compared with the Rate on Government Issues from 1945-1965.

The third major classification of assets is cash. Of this asset the greater portion is represented by cash on deposit with the Federal Home Loan Bank and the remainder on deposit at commercial banks. Table IV shows that in 1962 the percentage of assets held in cash made a marked increase from the previous year. A possible reason for this increase was the inauguration in 1962 of a new demand deposit service by the Federal Home Loan Bank.[1]

[1]Worthington, op. cit., p. 53.

This demand deposit service functions exactly as does a checking account in a commercial bank. This feature of cash management within the structure of the savings and loan associations provides a means for more skillful use of demand deposits. Iowa members of the Federal Home Loan Bank System made the greatest use of the demand deposit service in 1965. In 1965 their demand deposit balances when computed on a semi-monthly basis averaged more than $29.9 million.[1]

Liabilities. The major type of liability of the savings and loan associations is the claim against the assets as represented by savings accounts. The growth of assets since 1945 has been paralleled by the growth of savings. Savings accounts are for the most part held by individuals, families, and smaller corporations. Further discussion of savings activity in Iowa as related to the savings and loan industry will be examined in Chapter IV.

The second largest liability item in the balance sheet of the Iowa associations is reserves and undivided profits. The increase in reserves is entirely dependent on the increase of savings account balances. While this account is carried as a liability it is actually a resource since it protects the savers holding their accounts with the savings and loan associations.

The third most important liability of the savings and

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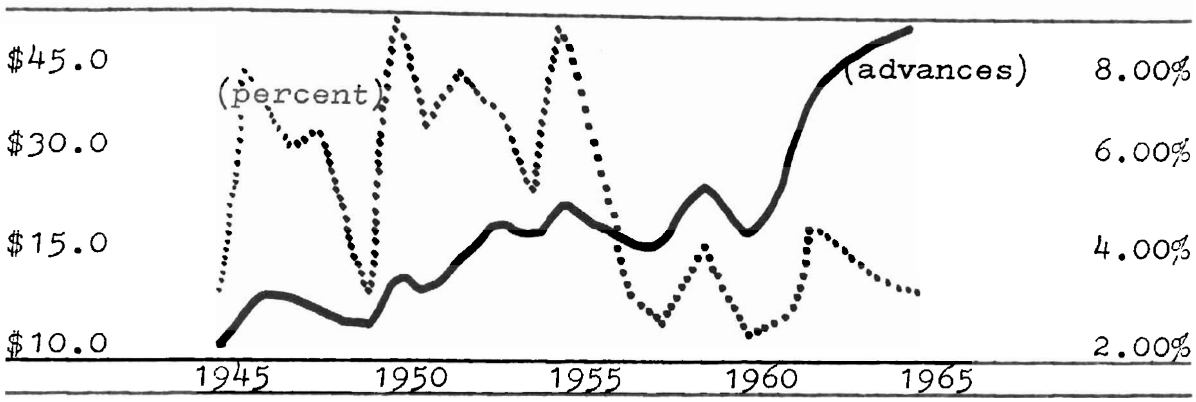
[1] *Ibid.*

loan associations is advances from the Federal Home Loan Bank and other borrowings. This liability is particularly important in relating to the growth of Iowa savings and loan associations. As shown in Figure 2 the trend of advances has had a direct relation to the growth of assets since 1945.



Source: Unpublished balance sheets of Iowa savings and loan associations furnished by the Federal Home Loan Bank of Des Moines, 1945-1965.

Figure 2. Outstanding Advances Compared to Advances as a Percentage of Savings Account Balances, 1945-1965.

The Federal Home Loan Bank System regulates and determines the extension of credit to its member institutions. To a large extent the amount of advances held by associations is determined not by the associations desiring the advances but the expansion or contraction policies of the Federal Home Loan Bank. Figure 2 then shows that the percentage of advances moved in a direct relationship with the outstanding advances and the policy decisions of the Federal Home Loan Bank. Here the important point is that as the amounts of advances increase the growth of the association is fostered by the fact that the associations are not having to lessen their mortgage lending activities to meet liquidity needs.

CHAPTER III

GOVERNMENT REGULATORY AGENCIES

The principal government regulatory agency is the Federal Home Loan Bank. In 1965 there were eighty-four members of the Federal Home Loan Bank of Des Moines. These eighty-four associations held 99.6 per cent of all assets of Iowa savings and loan associations. The Federal Home Loan Bank regulates the savings and loan associations in two general areas. First, the Federal Home Loan Bank regulates the credit policies to its members. Second, the Federal Home Loan Bank regulates the lending activities of its members. The Federal Home Loan Bank Board makes policy decisions which are expansionary, contractionary or neutral with respect to members' borrowings. Their decisions raise or lower the interest charged member associations for advances. The Federal Home Loan Bank Board gears its credit policies to the level and direction of economic activity, credit conditions, and the debt management problems of the Treasury. The second area of regulation, that of members' lending activities, has been significantly revised and boradened in recent years. Some of the more important changes are:[1]

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[1]Ewalt, *op. cit.*, p. 94.

1. Changes allowing participation in mortgages outside usual lending areas.
2. Permission to invest a higher portion of assets in multi-family housing.
3. Permission to make loans in excess of 80 per cent of appraised values.
4. Extension of lending area form 50 air miles to 100 air miles from the home office.
5. Allowance of loans for college educations.
6. Allowance of investment of up to 5 per cent of assets in urban renewal.

The second most important agency is the Federal Savings and Loan Insurance Corporation. The FSLIC regulation changes have significantly affected the operations of the savings and loan associations and thus affected their growth. In 1964 the FSLIC changed the reserve requirements.[1] The reserves are kept in the form of deposits at the Federal Home Loan Bank. The associations must now reduce their new worth by 15 per cent of their delinquent loans over ninety days delinquent. Thus any association having an adjusted net worth to assets ratio of 8 per cent to 12 per cent must allocate 10 per cent of net income to reserves. Growth could be slowed somewhat in that associations not already allocating 10 per cent to reserves would find their net income reduced.

Three other government agencies are important in a limited way to the growth of the savings and loan industry. These agencies are the Federal Housing Administration, the

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[1]United States Savings and Loan League, op. cit., p. 99.

Veterans Administration and the Federal National Mortgage Association.

I. THE FEDERAL HOME LOAN BANK

The Federal Home Loan Bank System was created during the depression of the early 1930's.[1] The purposes of the act were two-fold: to provide a central credit facility for member institutions and to link savings and loan associations to the capital markets.[2]

The associations may borrow from the Federal Home Loan Bank an amount equal to 50 per cent of their total savings balances. These advances may be for short or long-term periods.[3] Nationally savings and loan associations have steadily increased their borrowings from the Federal Home Loan Bank. Borrowings are used to smooth out the contraseasonal flow of funds and withdrawal demands placed on the associations. Iowa savings and loan associations have likewise shown steady increases in their borrowings from the Federal Home Loan Bank. Figure 2 shows that as the amount of advances have increased the percentage of advances to total resources remained small.

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[1] Office of the Federal Register, National Services Administration, *United States Government Organizational Manual* (Washington: Government Printing Office, 1965), p. 407.

[2] United States Savings and Loan League, *op. cit.*, p. 111.

[3] *Ibid.*

This evidence would indicate that the growth of Iowa savings and loan associations was based primarily on resources other than advances from the Federal Home Loan Bank. However the borrowings of the associations are not entirely dependent on the members' desires to borrow. Often the policies of the Home Loan Bank and other government agencies are to restrain credit in the mortgage market. During the period 1945 to 1965 the policies of government agencies were contractionary eight years.

TABLE V

POLICIES OF GOVERNMENT AGENCIES AFFECTING HOME FINANCING, 1945-1965

1945	Contraction	1956	Expansion
1946	Expansion	1957	Expansion
1947	Expansion	1958	Expansion
1948	Expansion	1959	Expansion
1949	Expansion	1960	Expansion
1950	Contraction	1961	Expansion
1951	Contraction	1962	Expansion
1952	Contraction	1963	Expansion
1953	Contraction	1964	Contraction
1954	Expansion	1965	Contraction
1955	Contraction		

Source: Josephine Hedges Ewalt, A Business Reborn (Chicago: American Savings and Loan Press, 1962), p. 262; and the United States Savings and Loan League, Savings and Loan Fact Book (Chicago: United States Savings and Loan League, 1960-1965.)

The Federal Reserve System does not directly control the savings and loan associations. Yet indirectly the

Federal Reserve Board policies affect the borrowings of the associations when they borrow from the Federal Home Loan Bank. If the monetary policy is to curb the supply of credit in the economy the Federal Home Loan Bank finds the cost of placing its consolidated obligations increased. This increase in cost is passed on to the associations seeking advances. Thus when the implications of monetary policy are contractionary the borrowings of the members of the Federal Home Loan Bank should decrease.

The borrowings of Iowa associations have not been in a direct relation to the monetary policies of the Federal Reserve Board and other governmental agencies. Table VI shows that as a percentage of total resources the advances have not always increased when the rates on the consolidated issues of the Federal Home Loan Bank System have been decreasing. Figure 2 shows that the Iowa associations did gradually increase their borrowings while not increasing the borrowings as a percentage of total resources. Borrowings were not a large per cent of resources from 1955 to 1965 because this ten year period is the period in which the savings and loan associations experienced their greatest growth.

In the absence of the restraints of borrowing in the previous years the Iowa savings and loan associations might have borrowed even more and thus increased their rate of growth.

TABLE VI

ADVANCES AS A PERCENTAGE OF TOTAL RESOURCES COMPARED TO RATES ON HOME LOAN BANK OBLIGATIONS, 1945-1965

Year	Per cent	Rate	Year	Per cent	Rate
1945	3.24	0.83%	1956	4.39	3.44
1946	7.62	1.05	1957	3.65	4.30
1947	6.52	1.31	1958	2.75	2.67
1948	5.22	1.60	1959	4.10	4.47
1949	2.77	1.36	1960	2.29	4.05
1950	8.88	1.54	1961	2.98	3.01
1951	6.65	2.13	1962	4.33	3.34
1952	7.99	2.16	1963	4.19	3.36
1953	7.83	2.61	1964	(a)	4.00
1954	5.64	1.26	1965	3.55	4.29
1955	8.31	2.54			

(a) Information not available.

Source: Unpublished balance sheets and consolidated Federal Home Loan Bank obligation rates furnished by the Federal Home Loan Bank of Des Moines, 1945-1965.

When the monetary policies are contractionary the effects on the savings and loan industry are as follows:[1]

1. Mortgage lending activity slows. Loan rates rise, marginal home builders and home buyers are discouraged.
2. The competition increases their rates of returns on savings accounts thus forcing savings and loan associations to do likewise.
3. Committments to builders and others for future loans are shortened.
4. Escalator clauses in borrowing from the Federal Home Loan Bank further restrict advances.

II. THE FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

The FSLIC is an instrumentality of the federal

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[1]United States Savings and Loan League, op. cit., p. 122.

government established in 1934.[1] Its purposes are the same as the Federal Deposit Insurance Corporation which insures demand deposit and savings accounts in commercial banks. The FSLIC does not control and regulate growth as much as does the Federal Home Loan Bank. However the FSLIC does restrict or promote the growth of savings and loan associations by the changes in the insurance regulations. Many associations did not take immediate advantage of the insuring facility.

Most Iowa savings and loan associations became immediately insured yet some were relatively late in providing insurance for their depositors. In the questionnaire sent to all Iowa savings and loan associations several replies were concerned with the insurance of savings accounts in relation to growth. In the questionnaire entitled "other" reasons four associations indicated the insuring of accounts as having some importance in promoting growth. This figure represents only about 7 per cent of all the questionnaires. But the importance lies in the fact that these associations recognized growth occurring after the announcement of insurance coverage of savings accounts by the FSLIC.

III. OTHER GOVERNMENT AGENCIES

Three other government agencies play an important role in the housing market. They are the Federal Housing

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[1]Office of the Federal Register, op. cit., p. 409.

Administration, the Veterans Administration and the Federal National Mortgage Association. The programs of these agencies are extensive and varied. However their impact on the operations of the savings and loan associations is in an indirect manner.

Federal Housing Administration. The Federal Housing Administration, more commonly called the FHA, was created by the National Housing Act of 1934.[1] Its purpose was to help the economy recover and reduce the unemployment in the depression of the early 1930's. Since its founding the operating programs of the FHA have been expanded and the agency now seeks to provide a stabilizing influence in the home mortgage market, improve housing standards and facilitate sound, reasonable terms in home financing.[2]

The FHA is an insuring agency and makes no loans. The income of the agency is derived from the insurance premiums. The FHA program is fully guaranteed by the federal government. The largest holders of FHA loans are mortgage companies. Mortgage companies act as the intermediaries between borrowers and the institutions. The mortgage companies make the loan and then sell the mortgages primarily to mutual savings banks and life insurance companies.

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[1] *Ibid.*, p. 446.

[2] United States Savings and Loan League, *op. cit.*, p. 133.

Nationally savings and loan associations have gradually decreased their FHA loans.[1] The reason is the higher interest rates of the conventional mortgages. The rates on FHA loans currently have a fixed ceiling of 5 3/4 per cent. Also the FHA insured loans are contracted for a longer time than most conventional loans.

Veterans Administration. The Veterans Administration, more commonly called the VA, was created as a part of the Servicemen's Readjustment Act of 1944.[2] The VA loan program was to help the servicemen acquire a home at a reasonable price and also aid the construction industry in the post-war conversion period. Most VA loans are underwritten by private lenders and in the entire history of the VA loan program only 3.5 per cent of all loans made were undertaken directly by the VA.[3] The advantages to the borrowers are somewhat similar to the FHA loan provisions: little or no down payment, a long period of amortization and a low interest rate.

Nationally savings and loan associations have been active VA lenders. However the amount of savings and loan participation in VA loans has been decreasing.[4]

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[1] Ibid.

[2] Office of the Federal Register, op. cit., p. 525.

[3] United States Savings and Loan League, op. cit., p. 134.

[4] Ibid.

One reason is that there are fewer qualified veterans each year who have not already exercised their rights under the program. The features of the VA loans make them unattractive investments for the savings and loan associations yet very attractive for borrowers. Thus to maximize their returns on investments the savings and loan associations concentrate in conventional types of mortgages.

<u>Federal National Mortgage Association</u>. The Federal National Mortgage Association, known in financial circles as "Fanny May", was chartered originally in 1938 and revised in 1954.[1] Since 1954 the purposes of FNMA are threefold:[2]

1. To maintain a secondary market for home mortgages, thus maintaining a degree of liquidity in the mortgage market.
2. To finance types of mortgages experiencing difficulty obtaining funds through the usual channels.
3. The management and liquidation of mortgages acquired before the reorganization in 1954.

Institutions wishing to sell mortgages to FNMA must enter into an agreement to do so prior to transacting the mortgage loan. In the secondary market operations the purpose is to buy the government backed mortgages when funds are scarce and sell them when the demand for mortgage investments increases. In the third area FNMA provides

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[1] Office of the Federal Register, *op. cit.*, p. 526.

[2] United States Savings and Loan League, *op. cit.*, p. 135.

financing for specific projects of national housing policies as determined by Congress and the President. Among these projects are urban renewal, disaster aid, cooperative housing and housing for the elderly.[1]

The Federal National Mortgage Association does not directly affect savings and loan associations in their operations. But by carrying out the legislative and presidential directives, FNMA helps to influence the activities of all segments of the mortgage loan market and does have some indirect affect on the savings and loan associations.

IV. RESULTS OF THE QUESTIONNAIRE

The impact of the government regulatory agencies is furthered examined by an analysis of the questionnaires returned. Included in the questionnaire was a question concerning the positive and the negative effects of government regulations as pertaining to the growth of the Iowa savings and loan associations.[2]

Table II shows government agencies having an index number of 33.6 of the reasons promoting and an index number of 26.2 for the reasons hindering. These results rank government regulatory agencies last in order of importance for promoting and fourth in order of importance for hindering.

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[1] *Ibid.*

[2] Appendix.

Only one association indicated government regulatory policies as being first in order of importance in promoting growth. The majority ranked this reason last. Conversely the results of the questionnaire revealed that the majority of the Iowa savings and loan associations felt that government regulatory agencies greatly hindered their growth.

This evidence shows that the policies of government agencies specifically the Federal Home Loan Bank, were of little importance in fostering growth yet the questionnaire results revealed that an absence of the restraints would have aided growth for the majority of Iowa savings and loan associations.

CHAPTER IV

THE IOWA ECONOMY, 1945-1965

I. PERSONAL INCOME

The Iowa economy has experienced a significant growth since 1945. In 1945 the total personal income was $2.948 billion and by 1965 had more than doubled to a total of $7.163 billion as shown by Table VI. Table VI also shows that the growth of per capita income has been steady since 1945. This growth in income has provided a base for the savings and loan associations to attract additional savings accounts.

TABLE VII

POPULATION, TOTAL PERSONAL INCOME, AND PER CAPITA INCOME, IOWA, SELECTED YEARS

Year	Per Capita Income	Total Income	Population	
1945	$1,228	$2.948 billion	2,400,000	(a)
1950	$1,449	$3.799 billion	2,621,073	
1955	$1,587	$4.260 billion	2,712,000	(a)
1960	$2,017	$5.580 billion	2,757,537	(a)
1965	$2,595	$7.163 billion	2,768,800	(a)

(a) Estimated

Source: National Industrial Conference Board, *The Economic Almanac* (New York: National Industrial Conference Board, 1964); Department of Health, *1965 Vital Statistics* (Des Moines: State of Iowa, 1965); United States Bureau of the Census, *Seventeenth Census of the United States: 1950. Number of Inhabitants, Iowa*, Final Report PC(1)-17A (Washington: Government Printing Office, 1950).

II. POPULATION

The population in Iowa has grown very little since 1940. In the 1940 census there were 2.538 million inhabitants. In 1960 that total had only increased to 2.758 million and the 1965 population was approximately 2.768 million according to the sources cited in Table VI.

III. SAVINGS

Iowa savings and loan associations increased their savings balances more than ten times their 1945 total as shown by Table VII. Evidence would indicate that with the increase in incomes a desire was shown to save part of it in the relatively safe, high return, liquid asset form of savings accounts. The savings and loan industry in Iowa has accommodated the prospective savers by offering much higher yields on savings accounts than did their closest competitors, the commercial banks. Figure IV shows that commercial banks offered significantly lower yields on time deposits than the yields on savings accounts in the savings and loan associations.

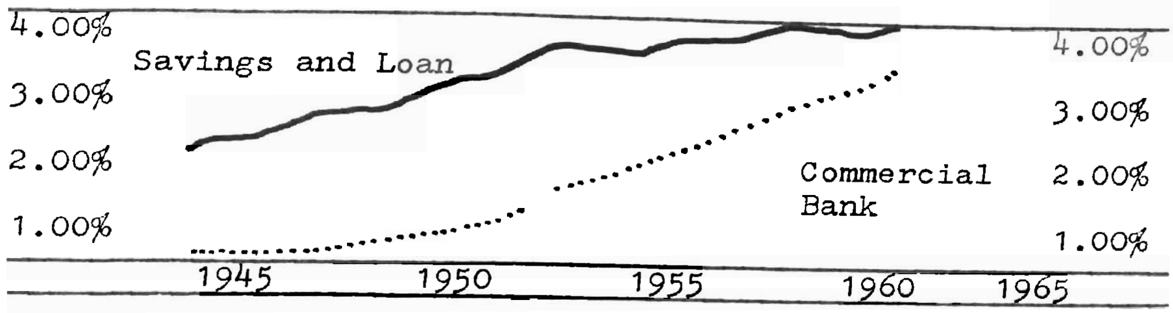
Credit unions have been the second most important source of competition to the savings and loan associations in Iowa. Table VIII shows that in 1956, credit unions held \$25.9 million in savings deposits which represented 2.10 per cent of all the savings accounts. But in 1965 this

TABLE VIII

SAVINGS BALANCES, YEARLY TOTALS AND YEARLY PERCENTAGE INCREASES IOWA, 1945-1965

	Savings and Loan		Commercial Banks	
	Amount	Per cent Increase	Amount	Per cent Increase
1945	$ 79.5 Million		$ 454.2 Million	
1946	92.9	16.8	510.7	12.4
1947	106.2	14.3	548.4	7.3
1948	117.7	10.8	531.7	- 7.7
1949	137.7	16.9	531.5	- 3.1
1950	157.7	14.5	526.0	- .03
1951	185.4	17.5	550.0	-1.04
1952	219.1	18.1	605.0	4.56
1953	261.3	18.2	664.0	10.00
1954	312.4	19.2	713.0	9.7
1955	361.3	19.5	720.0	.09
1956	420.1	15.6	727.0	.09
1957	467.5	16.2	811.0	11.5
1958	533.8	11.2	748.7	- 8.3
1959	697.5	- 0.3	937.0	25.1
1960	695.1	15.9	954.0	1.8
1961	806.2	15.9	1025.0	7.4
1962	897.7	11.3	990.6	-3.5
1963	1008.7	12.3	1381.0	39.4
1964	1121.8	11.2	1672.0	21.0
1965	1227.2	9.3	1846.0	10.4

Source: Federal Home Loan Bank of Des Moines, Statistical Annual Report of Members (Des Moines;Federal Home Loan Bank of Des Moines, 1945-1965); United States Bureau of the Census, Statistical Abstract of the United States (Washington: Department of Commerce, Government Printing Office, 1945-1965).



Source: United States Savings and Loan League, Savings and Loan Fact Book (Chicago: United States Savings and Loan League, 1965); Federal Home Loan Bank of Des Moines, Statistical Annual Report of Members (Des Moines: Federal Home Loan Bank of Des Moines, 1945-1965.

Figure . Average Annual Yield of Commercial Bank Time Deposits and Savings Accounts in Savings and Loan Associations, Iowa, 1945-1965.

total had increased to $113.8 million, and comprised 3.79 per cent of the total of all savings.

Credit unions operate in such a manner that a certain amount per month is deducted from a person's wages before the paycheck is disbursed. This convenience factor plus a relatively high interest rate have improved the positions of credit unions as competitors to the Iowa savings and loan associations.

The Postal Savings System is shown to be of a decreasing importance as competition to the Iowa savings and loan associations. In 1955 the Postal Savings System held 8.82 per cent of all the savings in Iowa, but in 1965 this figure had decreased to only 0.32 per cent. In 1966 legislation was signed to eventually eliminate the Postal Savings System.

TABLE IX

SAVINGS IN SELECTED MEDIA IOWA, SELECTED YEARS

(In Millions)

Year	Savings and Loan Assoc.	Commer. Banks	Credit Unions	Postal Savings
1965	$1227.2	$1645.8	$113.8	$ 9.8
1962	897.7	990.6	66.1	25.0
1961	806.2	920.0	58.1	30.8
1960	695.1	911.1	49.9	39.5
1959	597.8	846.9	42.0	47.0
1958	533.9	748.7	35.2	58.7
1957	476.5	704.9	29.1	83.4
1956	420.1	697.6	25.9	85.1
1955	361.3	643.6	(a)	97.3

(a) Not available

Source: United States Savings and Loan League, _Savings and Loan Fact Book_ (Chicago: United States Savings and Loan League, 1955-1965).

An analysis of Table VII shows that commercial banks have increased their 1965 savings accounts more than three times their 1945 total. However the savings and loan associations have increased their savings accounts over fifteen times their 1945 total. Savings and loan associations have increased their savings deposits by a greater percentage than the commercial banks for sixteen of the twenty years studied in this report. This favorable position of savings and loan associations can be further explained by the preceeding Figure IV. The general public is fully aware of the difference as shown by their willingness to pledge their funds in the higher paying accounts of the savings and loan associations.

The commercial banking industry was also aware of the favorable position enjoyed by the savings and loan associations. On December 6, 1965 the Federal Reserve Board of Governors amended the Regulation Q for members of the Federal Reserve System.[1] This amendment increased the maximum interest rate payable on certificates of deposit. Now members of the Federal Reserve System can pay a maximum of $5\frac{1}{2}$ per cent on certificates of deposit having a maturity of 30 days or more. No change was made in the rate payable on regular savings accounts; it remained at 4 per cent. This action immediately produced favorable inflows of savings to the commercial banks, thus improving their position as competitors to the savings and loan industry.

IV. RESULTS OF THE QUESTIONNAIRE

The results of the questionnaire showed that the majority of savings and loan officers in Iowa felt the growth of their association was primarily due to the fact that they offered higher interest on savings deposits than competition. In Table III, question number five[2] received first ranking twenty-three times. Table II also shows that this question had the lowest index number, excluding question six which was

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[1] Board of Governors of the Federal Reserve System, Federal Reserve Bulletin, Vol. 51, No. 12 (Washington: Federal Reserve System, 1965), pp. 1667-1668.

[2] Appendix.

"other" reasons and is not used in comparison to the other five.

It was also felt by the officers of the savings and loan associations that the changes in savings habits of the people of Iowa played a small role as a reason for growth. This change in savings habits was represented in the questionnaire by question two.[1] This question was ranked fifth in order of importance as a promotion factor and received an index number of 31.8. This evidence would indicate that the savings and loan associations did not feel Iowans had changed their tendency to save. Moreover, this would reiterate the point made earlier that savings deposits increased in conjunction with the increase in incomes.

The results of the questionnaire also revealed that savings and loan associations were aware of the importance of competition as a hinderance to growth. This point was represented in the questionnaire by question four of the reasons hindering growth.[2] Question four received an index number of 26.4 and was ranked as second in importance as a hinderance factor, excluding question six which was "other" reasons and is not used in comparison to the other five.

The small and stable population of Iowa since 1945 was shown in the results of the questionnaire to be of little importance as a hinderance factor to growth. This reason

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[1] Ibid.

[2] Ibid.

was represented by question number one in the reasons hindering growth and it received an index number of 27.6 and was ranked in fifth order of importance.

V. MORTGAGE LENDING

Nationally the savings and loan associations have been the leaders in the amount of credit provided for home purchases and construction. They have almost exceeded the combined totals of commercial banks, life insurance companies, and mutual savings bank.[1]

Iowa savings and loan associations have followed this national pattern by being the primary lenders in the Iowa mortgage market. The Federal Home Loan Bank Board has ceased publication of its monthly, Nonfarm Mortgage Recordings. There is not available at the present time any national or regional figures on the gross mortgage lending volume. However, the analysis given for selected years in Table IX verifies the prime position of Iowa savings and loan associations in the mortgage lending market of Iowa.

In 1965 Iowa savings and loan associations were also the largest class of mortgage lenders, their total mortgages was $1.174 billion.[2] Thus while greatly increasing their

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[1] United States Savings and Loan League, *op. cit.*, p. 33.

[2] Federal Home Loan Bank of Des Moines, *op. cit.*, p. 4.

TABLE X

NON-FARM MORTGAGE LENDINGS BY TYPE OF LENDER
IOWA, SELECTED YEARS

Year	Savings and Loan	(In Millions) Banks	Insurance	Other
1961	$155.0	$85.0	$40.0	$57.0
1960	139.0	76.0	40.0	58.0
1959	149.8	93.0	39.0	54.7
1958	129.5	79.8	32.1	50.4
1957	94.5	79.8	31.8	49.9
1956	94.8	105.4	42.1	57.5
1955	120.6	120.6	37.2	56.8
1954	100.3	84.2	26.9	56.5

Source: United States Savings and Loan League, Savings and Loan Fact Book (Chicago: U.S. Savings and Loan League, 1955-1965).

share of the savings business the Iowa savings and loan associations have maintained their position and moreover have dominated the mortgage lending market in the state.

CHAPTER V

SUMMARY AND CONCLUSIONS

This study has attempted to determine the causes of the tremendous growth of the Iowa savings and loan industry from 1945 to 1965. It endeavored to show that the reasons for growth on the national level were for the most part corresponding reasons on the state level with Iowa being a truly representative example.

The results of this study show that Iowa savings and loan associations did experience growth since 1945, and that Iowa closely followed the growth pattern of the savings and loan associations on the national level.

In 1945 the total assets were $108.8 million and in 1965 the total assets had increased to over $1,408 billion. The findings of this study also show that savings deposits at savings and loan associations grew at a faster rate than savings deposits of other financial institutions.

Information used in this study was taken from the published and unpublished reports of the Federal Home Loan Bank of Des Moines. The annual *Savings and Loan Fact Book* of the United States Savings and Loan League was also extensively used for information pertinent to the operations of savings and loan associations. A questionnaire was also used in this study. The questionnaire was sent to all Iowa savings and loan associations having membership in the Federal Home Loan Bank of Des Moines. Of the eighty-four questionnaires sent there were sixty-one returned. The purpose of the questionnaire was to gain first hand information concerning the factors promoting and hindering growth. The questionnaire was constructed so that the officers of the savings and loan associations would have an opportunity to explain any other factors they felt important which were not included in the regular format of the questionnaire.

An analysis of the study shows several important factors having a direct effect on the growth of the savings and loan associations. Among these was the membership in the Federal Home Loan Bank System. By having membership in the Federal Home Loan Bank System the Iowa associations have an available source of credit to smooth out their contra-seasonal flows of savings. However, membership in the Federal Home Loan Bank System also entails certain regulatory elements. An analysis of the questionnaire revealed that the associations felt the regulatory policies of the Federal Home Loan Bank and other government agencies were of least importance in promoting growth; yet they were considered to be the most important hindering factor.

Advertising played a key role in the growth of the associations since 1945. The early advertising was mainly concerned with building prestige and respectability. The questionnaire results revealed that advertising had a varying degree of importance depending one the size of the association. The larger associations ranked advertising much higher than did the smaller associations. A possible reason for this could be that smaller associations have smaller advertising budgets and if located in a smaller community, a narrower selection of advertising media.

The decisions of management to concentrate a large percentage of assets in conventional mortgages also promoted growth. Conventional mortgages have higher interest rates than those mortgages insured by the FHA or the VA. Savings and loan associations in Iowa have handled government insured mortgages yet in recent years the amounts have been continually decreasing.

The prime reason for the growth of the Iowa savings and loan associations has been the growth of savings deposits. The savings deposits in Iowa savings and loan associations have increased from $79.5 million in 1945 to over $1.227 billion in 1965. The savings business in Iowa is highly competitive. The commercial banks are the most important competitors for the savings and loan associations. The commercial banks in Iowa increased their savings from $454.2 million in 1945 to over $1.846 billion in 1965. However, their rate of growth was significantly less than that of the savings and loan associations. The Iowa associations offered higher yields on savings accounts than the commercial banks. Since 1945 the savings and loan industry in Iowa has continually offered higher yields on savings accounts than the commercial banks. Since 1945 the savings and loan industry nationally has continually offered higher interest rates than commercial banks. Only recently has the Federal Reserve Board of Governors raised the maximum allowable interest rates on savings deposits. This change brought commercial banking more in line with the savings and loan industry and increased the competitive position of commercial banks.

The results of the questionnaire indicated some homogeneity in answering the question entitled "other" reasons. Many smaller associations identified as the most important reason for growth their integrity and respectability in the community, and their service to customers. In the reasons hindering growth there was also some homogeneity. Both the smaller and the larger associations felt that growth was hampered by the conservative policies of their management.

Recommendations for future study. The future growth of Iowa savings and loan associations will depend on anticipating and satisfying the savings and mortgage needs of the state. There are many Iowa communities without a savings and loan association. The small population and business potential would not make feasible the establishing of a permanent branch office in these communities. However, the possibility does exist of establishing mobile branch offices to serve the needs of these smaller communities. Current regulations permit the establishing of branch offices within 100 air miles of the home office. By establishing mobile branches the savings and loan associations could provide savings and mortgage facilities for every community in the state. One large Des Moines association has been currently investigating the feasibility and legality of such an operation.

Many Iowa savings and loan associations do not experience a constant demand for mortgage loans and must seek alternative forms of investments. Government securities are reasonably high yielding assets. But the management could invest in participation loans, especially those originated by California associations. The Federal Home Loan Bank now permits more liberal participations and these higher yielding investments would serve the investment needs of smaller Iowa associations experiencing a small demand for mortgage loans.

Iowa savings and loan associations must realize they are financial institutions engaged in profit making. Greater profits mean more growth. To accomplish this management cannot operate as they have in the past. Competition is constantly challenging and innovating in an attempt to attract more savings deposits. Savings and loan associations must do likewise in order to sustain their growth. One method of innovating could be by mergers. Either the smaller associations merging together or the larger associations absorbing the smaller associations.

From the material presented it may be concluded that the Iowa savings and loan associations did experience a tremendous growth from 1945 to 1965. This growth followed closely the growth pattern of savings and loan associations on the national level. This growth was caused for the most part by the increases in the Iowa economy since 1945. The increases in the economy provided the additional savings deposits and an increased demand for mortgage loans, thus providing the base for the tremendous growth.

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APPENDIX

APPENDIX

THE GROWTH OF IOWA SAVINGS AND LOAN ASSOCIATIONS: 1945-1965

Reasons Promoting Growth - - Please number in order of their importance

______ The policies of government regulatory agencies

______ Changes in savings habits of the community

______ Advertising and promotions

______ Increased demand of the community for housing

______ Higher interest on savings accounts than competition

______ Other (Identify)______________________________

____

____

Reasons Hindering Growth - - Please number in order of their importance

______ Small and stable population growth rate

______ Placement of mortgage financing with competition

______ Relatively small demand for home purchases

______ The garnering of savings accounts be competition

______ The policies of the government regulatory agencies

______ Other (Identify)______________________________

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